

Chairperson's Message

Looking back in 2022, the global economy was impacted by the Russia-Ukraine war, high inflation, Fed's interest rate hike, and China's zero-COVID policy. The financial markets plunged, economic and trade momentum staggered, and Taiwan GDP growth rate was down to 2.43%. Looking forward to 2023, the global interest rates will remain high and the economic outlook is full of challenges. Taiwan domestic economy is expected to grow moderately, and financial market volatility will gradually ease. Thus, the banking industry's profitability is expected to remain and of small growth.

FEIB, following the core strategy of long-term steady growth, grew total assets by 2.4% to exceeding NT\$740 billion, and increased revenue by 9% in 2022. Net interest income grew by 9% by improved lending margin following the interest rate hikes. Net income increased by 25%, to NT\$3.68 billion, supported by prudent control of operation expenses and provision cost. Earnings per share (EPS) rose to NT\$1. In 4Q'2022, FEIB completed NT\$4.8 billion cash capital injection, which increased CET1 ratio to 11.70%, and BIS ratio to 14.98% on YE'2022.

In 2022, FEIB actively expanded its core business. In Digital Banking, Bankee's digital deposit accounts increased by 40%, and won FEIB the "Best Innovative Digital Bank Award in Taiwan" by The Global Economics. A first-ever new cross-border remittance service, through cooperation with MasterCard, was also launched in Taiwan. In Retail Banking, the number of "Elder Care Trust" accounts ranked top in Financial Supervisory Commission's Group B category, and the business gained 10 wealth management professional awards locally and globally, affirming the BU's WM brand to the public. In Corporate Banking, the net interest income grew significantly and fee income remained unchallenged, which was contributed by aggressive increase of SME lending and USD loan spreads, and striving lead bank role in international syndication loans. In Financial Market, amid the market volatility, the BU took conservative strategies in stock and bond investment and TMU product selling, for reducing investment and transaction losses. Nonetheless, the BU launched gold futures and OBU securities brokerage to create new revenue.

FEIB supported sustainable finance and launched 「FEIB 30, Sustainable 30」 ESG activities in 2022. For environment protection, FEIB joined peers signing the Equator Principles and preparing climate-risk-related financial disclosure (such as TCFD), provided sustainable finance to customers, and implemented greenhouse emission checking and environmental protection management system internally. For society responsibility, FEIB supported charity to Eden Foundation by launching an auto donation machine, which was the first of its kind in Taiwan. FEIB carried the legacy publishing the theme calendar in 2022 titling "Appreciating Beauty of Taiwan Theaters". As an advocator to a fair and friendly workplace, FEIB was awarded the "Asia's Best Employer Award" by HR ASIA, and "TTQS Talent Development Quality Management System Gold Medal" award by Ministry of Labor. For corporate governance, FEIB's board of directors satisfied diversification requirement, a "Unit of Managing and Promoting Staff Integrity" and "Corporate Sustainability Committee" were established and responsible for supervising all related activities. In all, FEIB ranked among the top 5% listed companies by Taiwan Stock Exchange's "Corporate Governance Evaluation", and among the top 25% banks by Financial Supervisory Commission's "Customer Fairness Evaluation".

In 2023, FEIB continues following the long-term steady growth strategy for business development and growth. FEIB will expand asset scale further to capitalize the benefit of capital injection, and solidify the core profitability by focusing on high-profit, high-growth businesses, and by readjusting financial investment portfolio. Through digital acceleration, FEIB will strengthen digital branding value and competitiveness against peers. Meanwhile, along with activities responding to regulation and investor's expectation on ESG, FEIB will continue increasing business value to shareholders, customers, employees and society.

Operating Results for 2022 and Business Outlook for 2023 Are Summarized as Follows:

Operating Results for 2022 (as consolidated report)

1. Business Plan and Operating Results (by consolidated financials)

(NT\$MM)

Item	Year	2022	2021	Change Rate	Budget Achievement
Total Asset		740,540	723,055	+2%	99%
Deposit and Remittance		607,424	612,107	-1%	96%
Total Loan		444,082	412,872	+8%	102%
Equity-Method Long Term Investment		54,972	49,702	+11%	-
Revenue		11,739	10,793	+9%	-
PPOP		4,735	4,116	+15%	-
Net Income		3,678	2,939	+25%	-
EPS (NT\$)		1.00	0.82	+22%	-

2. Ratings

Fitch Ratings issued FEIB rating report on May 5, 2022, affirming FEIB's credit rating remained at BBB / F3 for foreign currency LT / ST IDR, and A+(twn) / F1(twn) for national long-term / short-term rating, and the rating outlooks remained as stable. The rating result reflected the Bank's moderate risk appetite and sufficient loss buffer, and FEIB is considered a stable financial institution of investment grade.

3. Research and Development

FEIB continued developing and upgrading digital application platforms, such as launching on-line credit / installment loan application, big-ticket FX in APP, for creating handy and convenient transaction channels to improve customers' digital experience. And, FEIB developed innovative digital banking business, such as "full speed remittance" as a new type of cross-border remittance platform, a 24-hour offshore equity trading platform, and a three-in-one securities account opening including "Bankee" foreign currency deposit account, foreign currency and LCY securities settlement accounts. FEIB also expanded branch functions from off-line to on-line, such as launching online transfer-limit adjustment for non-discretionary accounts, online application of discretionary accounts, and digital ID authentication in supermarkets, etc. For strengthening digital innovation image, FEIB created virtual reality banking experience via metaverse interface in Bankee and at a few branches.

4. Organization Changes

FEIB relocated, renamed, merged, and/or renovated three branches in 2022. Taipei Jinhua Branch was renamed after merger between Taipei Jinhua Simple Branch and Taipei Nong'an Simple Branch. Taipei Chengde Branch was relocated and renamed from former Taipei Zhongshan Branch. FEIB's branches were renovated not only for purpose of business expansion, but also for enhancing branch's image value.

5. Impact of External Competitions, Legal and Overall Operating Environment

In 2022, FEIB, along with peers in the banking industry, grew net interest income substantially, which was benefited from increased lending spread following rate hikes locally and globally, and from increased lending base following post-COVID asset quality improvement. But, due to heightened volatility in international and local stock and bond

markets, wealth management business declined, trading income merely maintained, and mark-to-market unrealized investment losses surged. COVID-19 pandemic has changed customer transaction behavior, which combined with 3 internet-only banks entering the market, intensified the digital banking competition. FEIB thus developed various innovated and online banking platforms to strengthen digital competitiveness. A few regulation or government policies were updated or newly implemented in 2022, such as regulations for fair customer treatment, for corporate governance, and for anti-money laundering and counter-terrorist financing. FEIB promulgated internal control guidelines and provided staff trainings, in order to comply with these new or updated regulation. In responding to international trend of ESG sustainable finance, and FSC's "Green Finance Action Plan 3.0", FEIB launched sustainable finance, formulated ESG risk management, and implemented ESG action plans.

Operating Plans for 2023

1. Operating Goals

Major operating goals for 2023 (by consolidated financials) are summarized as follows:

- (1) Total asset: NT\$784.2 billion
- (2) Total deposit: NT\$643.3 billion
- (3) Total loan: NT\$476.9 billion

2. Policies and Major Strategies

- (1) Retail Banking:

For WM, the BU strengthens product competitiveness by deepening and widening product lines with "theme", and develops new customer and funding base, to increase WM AUM. For digital banking development, the BU integrates online and offline channels, and launches special promotions to increase NTD and FCY digital deposits. For lending, the BU focuses on branches' WM and high net worth customers to gain more mortgage cases, develops new credit products and increases interest spreads to gain more business earnings. For credit card, the BU promotes "Far Eastern YA Card" as daily usage card, which combined with exclusive benefits offered in FEG's retail channel, is aimed for increasing number of cards and card spending.
- (2) Corporate Banking:

To provide differentiated and comprehensive value-added financing, the BU extends business in both domestic and overseas markets, through an APAC lending platform across China, Taiwan, Singapore and Vietnam. To increase corporate lending scale, the BU aims for opportunities in global supply chain, SME lending and sustainable finance, to also respond to government impetus policy. To strengthen deposit base, the BU develops niche GTS business, promotes online corporate banking service and B2B2C lending, in order to secure relationship with high-quality deposit customers.
- (3) Financial Markets:

In order to strengthen market leading position in "Foreign exchange margin trading", the BU continues developing digital customer base and enhancing 24-hour services in 24-hour trading platform. To provide diversified structured products, the BU focuses on professional institutional investors and high net worth investors for yield enhancement and risk-hedging solutions. The BU promotes foreign bond trading, gold futures brokerage, and emerging market-related SWAP transactions to increase product diversity and create new sources of earnings. For proprietary trading and investment, the BU improves portfolio quality through base-line valuation and quant. analysis, which coupled with derivatives trading is to reduce investment risks. The BU also increases ESG bond investment as investment theme under sustainable finance practice.
- (4) Digital Banking:

The BU's business focus is to improve digital services and extend digital channels to increase off-counter transaction rate and digital customer acquisition rate. New digital finance products are under development, such as loans and investments, Bankee's new-structured deposits, and micro-enterprise's digital products, etc. In addition, in response to government's inclusive financial policy, the BU strategizes alliance across industries and with new venture entrepreneurs to form ecosystems, and to expand digital customer scales.